

NEW APPLICATION



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Arizona Corporation Commission

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

DEC -4 2008

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

DOCKETED BY

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E-01773A-08-0587

IN THE MATTER OF THE APPLICATION OF  
ARIZONA ELECTRIC POWER COOPERATIVE,  
INC. FOR AUTHORIZATION TO INCUR DEBT  
AND SECURE LIENS IN ITS PROPERTY TO  
FINANCE ITS CONSTRUCTION WORK PLAN

Docket No. E-01773A-08-\_\_\_\_\_

**APPLICATION**

Pursuant to A.R.S. § 40-301, *et seq.*, the Arizona Electric Power Cooperative, Inc.

("AEPCO" or the "Cooperative") in support of its Application states as follows:

1. AEPCO is an Arizona non-profit electric generation cooperative which supplies all or most of the power and energy requirements of its five Arizona Class A member distribution cooperatives.

2. AEPCO has developed its Construction Work Plan for 2009-2011 (the "CWP"). The CWP identifies necessary improvements, upgrades and replacements to its generation plant which are currently anticipated to be required over the next three years. Attached hereto as Exhibit A is a schedule providing additional detail on the facilities currently in the CWP, which is also referred to as the R-8 Financing. As Exhibit A indicates, the estimated total cost of the CWP is \$36.032 million.

3. By this Application, AEPCO seeks Commission approval to obtain both interim and long-term financing for the CWP. Because permanent federal financing may not be available in the near future, AEPCO asks that the Commission authorize it (a) to secure interim

1 CWP financing, including a sum for purchase of necessary capital term certificates, in an amount  
2 not to exceed \$42.287 million from the National Rural Utilities Cooperative Finance Corporation  
3 ("CFC") and (b) to secure a permanent loan in an amount not to exceed \$36.032 million from the  
4 Rural Utilities Service ("RUS")/Federal Financing Bank long-term loan program, when  
5 available, to replace the CFC interim financing.

6 4. The Cooperative's Board of Directors is comprised of representatives of its  
7 members. Attached hereto as Exhibit B is a Board resolution approving the interim and  
8 permanent financing for the CWP. The primary reason the Board resolution states an amount to  
9 be financed in excess of the amount requested in this Application is that the RUS subsequently  
10 has requested that two large pollution controls projects expected to cost \$46 million be moved to  
11 a separate and later financing. Exhibit A's column labeled "Total Other Financing" identifies the  
12 three projects which RUS has requested be moved to a separate financing.

13 5. The Cooperative also requests that the Commission again authorize AEPCO to  
14 change the specific facilities to be financed in the CWP without the necessity of filing an  
15 Amended Application so long as the total amount financed does not exceed \$36.032 million for  
16 permanent financing or \$42.287 million for interim financing.

17 6. In Decision No. 69238, which authorized financing for AEPCO's 2005-2008  
18 CWP, the Commission approved such a process. It allows AEPCO to modify facilities within  
19 the CWP by filing proposed changes with Docket Control. Unless Staff objects to the filing  
20 within 30 days, the revisions are deemed approved without the need to file an amended  
21 application. (Decision No. 69238, Finding 26 and Ordering Paragraphs 5 and 6 on page 8.)  
22 While AEPCO has not yet used that procedure, Southwest Transmission Cooperative has used it  
23 twice in relation to its current CWP. The procedure is working well. It has saved the

1 Cooperative, the Utilities Division Staff, the Hearing Division and the Commission the time and  
2 resources associated with a formal amendment process, but still affords the Commission a review  
3 opportunity. AEPCO asks that the same procedure be approved for this financing.

4 WHEREFORE, having fully stated its Application, AEPCO requests that the  
5 Commission enter its Order:

6 A. Authorizing AEPCO to secure interim financing in an amount not to exceed  
7 \$42.287 million from the CFC to finance its 2009-2011 Construction Work Plan;

8 B. Authorizing AEPCO to secure a permanent long-term loan from the Rural  
9 Utilities Service/Federal Financing Bank guaranteed loan program, when available, to finance its  
10 2009-2011 Construction Work Plan in an amount not to exceed \$36.032 million to replace the  
11 interim financing;

12 C. Authorizing AEPCO to file in this docket any proposed modifications to the  
13 2009-2011 Construction Work Plan which substantially conform to the purposes of the  
14 2005-2008 Construction Work Plan, but do not exceed the authorized amount of \$36.032 million  
15 for permanent financing and \$42.287 million for interim financing, and unless Staff files an  
16 objection to the proposed modifications within 30 days of AEPCO filing the proposed changes,  
17 the proposed modifications shall be deemed approved;

18 D. Authorizing AEPCO to grant liens in its property as required in order to secure  
19 the borrowings authorized; and

20 E. Authorizing AEPCO to engage in any transactions and to execute any documents  
21 necessary to effectuate the authorizations granted.



**EXHIBIT A**

**Arizona Electric Power Cooperative, Inc.**  
**Financing Application**  
**2009-2011 Construction Work Plan**  
**AZ028-R-8 Loan Application**

RUS Code	Project Name	Project Number	2009	2010	2011	Total		Total R8	Total Other
						Estimate	Financing		
1200.6	2B Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00830	\$0	\$520,000	\$0	\$520,000	\$520,000	\$0	\$0
1200.13	ST3B Mill Trunnion Bearings Replacement	CAPG1.00859	\$0	\$0	\$125,000	\$125,000	\$125,000	\$0	\$0
1200.14	Apache Road Paving	CAPG1.00871	\$0	\$435,000	\$0	\$435,000	\$435,000	\$0	\$0
1200.15	ST2/3 Ash Line Piping Replacement	CAPG1.00872	\$908,000	\$0	\$0	\$908,000	\$908,000	\$0	\$0
1200.16	ST2/3 Event Recorder/Panel Alarm Replacement	CAPG1.00873	\$0	\$358,000	\$0	\$358,000	\$358,000	\$0	\$0
1200.17	GT1 Controls Upgrade	CAPG1.00874	\$350,000	\$0	\$0	\$350,000	\$350,000	\$0	\$0
1200.18	GT3 Controls Upgrade	CAPG1.00875	\$475,000	\$0	\$0	\$475,000	\$475,000	\$0	\$0
1200.19	3A Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00831	\$0	\$0	\$535,000	\$535,000	\$535,000	\$0	\$0
1200.2	ST2/3 GSU Transformer Critical Spare	CAPG1.00632	\$4,061,000	\$0	\$0	\$4,061,000	\$4,061,000	\$0	\$0
1200.23	ST1 CEM Analyzers & Probes Replacement	CAPG1.00624.010	\$95,000	\$0	\$0	\$95,000	\$95,000	\$0	\$0
1200.24	ST2 CEM Analyzers & Probes Replacement	CAPG1.00624.011	\$120,000	\$0	\$0	\$120,000	\$120,000	\$0	\$0
1200.25	ST3 CEM Analyzers & Probes Replacement	CAPG1.00624.012	\$120,000	\$0	\$0	\$120,000	\$120,000	\$0	\$0
1200.26	ST3 Turbine Control System Upgrade	CAPG1.00642	\$0	\$0	\$850,000	\$850,000	\$850,000	\$0	\$0
1200.27	Coal Handling Washdown System	CAPG1.00661	\$0	\$271,000	\$0	\$271,000	\$271,000	\$0	\$0
1200.28	ST3 SDAS Upper Loop Spray Nozzle Upgrade	CAPG1.00671.011	\$490,000	\$0	\$0	\$490,000	\$490,000	\$0	\$0
1200.29	Coal Feeder and Conveyor Upgrades	CAPG1.00675	\$0	\$580,000	\$0	\$580,000	\$580,000	\$0	\$0
1200.31	ST3 BFP Recirc Valve Upgrade	CAPG1.00764.011	\$0	\$0	\$272,000	\$272,000	\$272,000	\$0	\$0
1200.32	ST2 LP3 Feedwater Heater Upgrade	CAPG1.00772	\$493,000	\$0	\$0	\$493,000	\$493,000	\$0	\$0
1200.33	ST3 Stack Liner Coating Upgrade, 2009	CAPG1.00807	\$930,000	\$0	\$0	\$930,000	\$930,000	\$0	\$0
1200.34	3B Scrubber Tower Shelf & Bowl Upgrade	CAPG1.00829	\$506,000	\$0	\$0	\$506,000	\$506,000	\$0	\$0
1200.35	ST2A Mill Trunnion Bearings Replacement	CAPG1.00855	\$0	\$109,500	\$0	\$109,500	\$109,500	\$0	\$0
1200.36	ST3A Mill Trunnion Bearings Replacement	CAPG1.00858	\$106,000	\$0	\$0	\$106,000	\$106,000	\$0	\$0
1200.37	ST2 Classifier Replacement	CAPG1.00920	\$0	\$553,500	\$0	\$553,500	\$553,500	\$0	\$0

**Arizona Electric Power Cooperative, Inc.**  
**Financing Application**  
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**AZ028-R-8 Loan Application**

RUS Code	Project Name	Project Number	2009	2010	2011	Total		Total R8	Total Other
						Estimate	Financing		
1200.38	ST3 Classifier Replacement	CAPG1.00921	\$0	\$0	\$575,000	\$575,000	\$575,000	\$0	\$0
1200.39	ST3 Electromatic Safety Valve Upgrade	CAPG1.00922	\$121,000	\$0	\$0	\$121,000	\$121,000	\$0	\$0
1200.4	Cathodic Protection Upgrade	CAPG1.00923	\$85,000	\$0	\$0	\$85,000	\$85,000	\$0	\$0
1200.41	GT4 Catalyst Replacement	CAPG1.00924	\$0	\$0	\$759,000	\$759,000	\$759,000	\$0	\$0
1200.42	2B Circ Water Pump Rebuild	CAPG1.00928	\$230,000	\$0	\$0	\$230,000	\$230,000	\$0	\$0
1200.43	ST3 LP3 Feedwater Heater Upgrade	CAPG1.00938	\$600,000	\$0	\$0	\$600,000	\$600,000	\$0	\$0
1200.44	3B Circ Water Pump Rebuild	CAPG1.00949	\$0	\$235,000	\$0	\$235,000	\$235,000	\$0	\$0
1200.45	ST2 Bottom Ash Hopper Reline Upgrade	CAPG1.00959	\$0	\$615,000	\$0	\$615,000	\$615,000	\$0	\$0
1200.46	ST3 Bottom Ash Hopper Reline Upgrade	CAPG1.00960	\$579,000	\$0	\$0	\$579,000	\$579,000	\$0	\$0
1200.47	ST3 JEM Meter Upgrade	CAPG1.00969	\$58,000	\$0	\$0	\$58,000	\$58,000	\$0	\$0
1200.48	ST2/3 Lab Sample Coolers Upgrade	CAPG1.00972	\$54,000	\$0	\$0	\$54,000	\$54,000	\$0	\$0
1200.49	ST2 Boiler Seal Trough Upgrade	CAPG1.00973	\$0	\$136,500	\$0	\$136,500	\$136,500	\$0	\$0
1200.5	ST3 Boiler Seal Trough Upgrade	CAPG1.00974	\$132,000	\$0	\$0	\$132,000	\$132,000	\$0	\$0
1200.51	Misc Minor Capital Expenses 2009	CAPG1.00975	\$300,000	\$0	\$0	\$300,000	\$300,000	\$0	\$0
1200.52	Misc Minor Capital Expenses 2010	CAPG1.00976	\$0	\$300,000	\$0	\$300,000	\$300,000	\$0	\$0
1200.53	Misc Minor Capital Expense 2011	CAPG1.00977	\$0	\$0	\$300,000	\$300,000	\$300,000	\$0	\$0
1200.54	ST2 Multi-Pollutant Controls	CAPG1.00979	\$0	\$22,000,000	\$0	\$22,000,000	\$22,000,000	\$0	\$22,000,000
1200.55	ST3 Multi-Pollutant Controls	CAPG1.00980	\$0	\$0	\$24,000,000	\$24,000,000	\$24,000,000	\$0	\$24,000,000
1200.56	ST1 Sequential Tripping	CAPG1.00981	\$155,000	\$0	\$0	\$155,000	\$155,000	\$0	\$0
1200.57	ST2 SDAS Tower Outlet Duct/Damper Upgrade	CAPG1.00985	\$0	\$1,650,000	\$0	\$1,650,000	\$1,650,000	\$0	\$0
1200.58	ST3 SDAS Tower Outlet Duct/Damper Upgrade	CAPG1.00986	\$0	\$0	\$1,660,000	\$1,660,000	\$1,660,000	\$0	\$0
1200.59	ST2 Boiler Cleaning Upgrades	CAPG1.00987	\$0	\$2,350,000	\$0	\$2,350,000	\$2,350,000	\$0	\$0
1200.6	ST3 Boiler Cleaning Upgrades	CAPG1.00988	\$2,100,000	\$0	\$0	\$2,100,000	\$2,100,000	\$0	\$0
1200.61	Telephone System Upgrade	CAPG1.00993	\$1,560,000	\$0	\$0	\$1,560,000	\$1,560,000	\$0	\$1,560,000
1200.62	ST3 XFMR Fire Protect Upgrade	CAPG1.00982	\$47,000	\$0	\$0	\$47,000	\$47,000	\$0	\$0
1200.63	ST3 Gas Recirculation Fan Replacement	CAPG1.00877	\$2,135,000	\$0	\$0	\$2,135,000	\$2,135,000	\$0	\$0

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**AZ028-R-8 Loan Application**

RUS Code	Project Name	Project Number	2009	2010	2011	Total Estimate	Total R8 Financing	Total Other Financing
1200.64	ST2/3 Limestone Mill Addition	CAPG1.00998	\$6,200,000	\$0	\$0	\$6,200,000	\$6,200,000	\$0
1200.65	ST2/3 Precipitator Performance Improvement	CAPG1.01000	\$970,000	\$0	\$0	\$970,000	\$970,000	\$0
1200.66	ST2/3 Pulverizer Gearbox Modifications, 2009	CAPG1.01001	\$81,000	\$0	\$0	\$81,000	\$81,000	\$0
1200.67	ST3 Igniter Scanner Upgrade	CAPG1.01003	\$0	\$0	\$116,000	\$116,000	\$116,000	\$0
1200.68	Apache Station Roofing Upgrades 2009	CAPG1.01004	\$110,000	\$0	\$0	\$110,000	\$110,000	\$0
1200.69	Apache Station Roofing Upgrades 2010	CAPG1.01005	\$0	\$115,500	\$0	\$115,500	\$115,500	\$0
<b>Totals</b>			<b>\$24,171,000</b>	<b>\$30,229,000</b>	<b>\$29,192,000</b>	<b>\$83,592,000</b>	<b>\$36,032,000</b>	<b>\$47,560,000</b>



**EXHIBIT B**

## ARIZONA ELECTRIC POWER COOPERATIVE, INC.

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on September 10, 2008.

### RESOLUTION

**WHEREAS**, the Management of Arizona Electric Power Cooperative, Inc. (AEPCO) has recommended and the Board of Directors has previously approved AEPCO's 2009-2011 Construction Work Plan, Amendment 1 (CWP); and

**WHEREAS**, the Board of Directors has previously approved the funding of the 2009-2011 CWP through the acquisition of interim financing with the National Rural Utilities Cooperative Finance Corporation (CFC) until permanent financing can be obtained through the Rural Utilities Service (RUS), Federal Financing Bank (FFB) loan program; and

**WHEREAS**, the Management of AEPCO recommends and the Board of Directors authorizes the funding of the 2009-2011 CWP, Amendment 1 through the acquisition of interim financing with the CFC until permanent financing can be obtained through the RUS, FFB loan program; and

**WHEREAS**, it has been determined that the aggregate loan amount for Budget Purpose #3 eligible projects totals \$83,592,600; and

**WHEREAS**, as required by Arizona statutes, AEPCO is required to obtain the necessary approvals from the Arizona Corporation Commission (ACC) prior to issuing or otherwise acquiring new long term debt;

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with the Rural Utilities Service for a guaranteed Federal Financing Bank loan in the amount of \$83,592,600 for Purpose #3 (Generation) projects to be used to finance the capital facilities as specified in the 2009-2011 Construction Work Plan, as amended; and

**BE IT FURTHER RESOLVED**, that the RUS guaranteed FFB loan shall bear a maturity date not to exceed December 31, 2035; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with National Rural Utilities Cooperative Finance Corporation requesting interim financing, including, if necessary a lien accommodation from RUS until permanent financing is obtained through the RUS; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to seek and otherwise obtain the necessary approvals from the Arizona Corporation Commission to acquire additional long term debt in the aggregate amount of \$83,592,600 to fund the Cooperative's 2009-2011 CWP, as amended; and

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes its officers and the Executive Vice President and Chief Executive Officer of Arizona Electric Power Cooperative, Inc. to execute and attest to all necessary papers, documents, and applications related to the loan application; and

**BE IT FURTHER RESOLVED**, that the President of the Board of Directors, any Corporate Officer and/or Executive Vice President and CEO are hereby authorized on behalf of AEPCO to: (1) execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing notices, in the form of such instruments attached to the note payable to FFB; and (2) to specify information and select the most appropriate and economical repayment option as provided in such instruments; and

**BE IT FURTHER RESOLVED**, that the Board of Directors authorizes the RUS to release the appropriate information and data relating to the application to the FFB and any supplemental lenders as may be necessary in connection with the execution of the loan application or the issuance of debt through the advance requests, maturity extensions, prepayment and/or refinancing notices; and

**BE IT FURTHER RESOLVED**, that each of the following individuals whose signatures appear below, be and hereby, are authorized to enter into and execute, in the name and on the behalf of AEPCO, any such agreements and/or amendments to existing agreements necessary or appropriate to give effect to the purposes and intent of the foregoing resolutions:

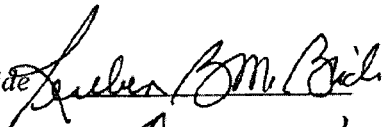
OFFICER

NAME

SIGNATURE

President

Reuben B. McBride



Executive Vice President & CEO

Donald W. Kimball



Senior Vice President & COO

Gary G. Grim



Chief Financial Officer

Dirk C. Minson



I, Thomas N. Powers, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on September 10, 2008.

(seal)



Secretary